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LONG-TERM CREDIT--IMPLICATIONS FOR COLLEGES AND UNIVERSITIES.

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THE PROBLEMS ARISING IN CONNECTION WITH LONG-TERM LOANS TO STUDENTS (ESPECIALLY NATIONAL DEFENSE STUDENT LOANS) ARE IDENTIFIED AND ANALYZED. MAJOR PROBLEMS INCLUDE--(1) THE ACCUMULATION OF A LARGE DEBT OFTEN UNJUSTLY INFLUENCES A STUDENT'S DECISION REGARDING GRADUATE OR PROFESSIONAL TRAINING, (2) REPAYMENT OF A DEBT BY AN ALUMNUS OFTEN SUBSTITUTES FOR ALUMNI CONTRIBUTIONS TO THE SCHOOL, (3) REPAYMENT OF A NEW EMPLOYEE'S DEBTS BY EMPLOYERS (A COMPETITIVE SCHEME FOR OBTAINING TOP GRADUATES) OFTEN SUBSTITUTES FOR BUSINESS AND INDUSTRY CONTRIBUTIONS, AND (4) EASE OF BORROWING TENDS TO CAUSE PARENTAL UNWILLINGNESS TO ASSIST THEIR CHILD'S EDUCATION WITH FAMILY RESOURCES. THIS PAPER WAS PRESENTED AT THE COLLEGE SCHOLARSHIP SERVICE COLLOQUIUM ON FINANCIAL AID (3D, FONTANA, WISCONSIN, MAY 22-25, 1966) AND THE COMPLETE DOCUMENT, OF WHICH THIS IS ONE PAPER, "THE ECONOMICS OF HIGHER EDUCATION," IS AVAILABLE FOR $2.00 FROM THE COLLEGE ENTRANCE EXAMINATION BOARD, PUBLICATIONS ORDER OFFICE, BOX 592, PRINCETON, NEW JERSEY 08540. (HW)

The Economics of Higher Education

The Economics of Higher Education

Papers Presented at the Third College Scholarship Service Colloquium on Financial Aid, May 22-25, 1966, Held at The Abbey on Lake Geneva, Fontana, Wisconsin

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Foreword

In 1962 the College Scholarship Service held its first colloquium on student aid. Because of the long-standing concern of the CSS about gaining the maximum effect from a given amount of aid available, the CSS planned and conducted that Colloquium during both sessions of the Eighty-Seventh Congress. At that time aid to education bills, including a federal scholarship bill, were pending before Congress, but it was just before the time in America's history when Americans and the Congress were ready to back up the goal of equal access to higher education – not only with money, but, more important, with the moral support and commitment reflected in the dollar support.

In 1962 the federal government was in the student aid field primarily through the National Defense Student Loan Program. Since that program was enacted in 1958 as part of the defense-focused reaction to the new space age, federal appropriations for it have grown from an initial $57 million in 1959–60 to more than $190 million. The Congress added a work program in 1964 as part of the Economic Opportunity Act and, finally, a grant program under the Higher Education Act of 1965 to complete the three-part federal program of student aid at the undergraduate level. These new programs have already added $200 million annually to the available resources for financial aid. When they are fully operative in 1969–70, they will contribute approximately $400 million and bring the total federal support for these three programs to almost $600 million.

State governments have entered the student aid field in an accelerated fashion over the past 10 years; 17 states now have competitive scholarship programs open to candidates, without restriction as to field of study. Of these 17 programs, all but New York's have been established since 1956 (New York enacted the first program of this kind in 1913 – the New York State Regents College Scholarship Program). And 9 of the 17 state programs have been established since 1963. Under these 17 programs, more than $100 million is available annually to roughly 300,000 students. When these funds are added to the $600 million from the three federal programs, the public share of the total student budget for college attendance will be greatly in excess of what it was five or even three years ago. In addition, the potential of the permanent GI Bill adds substantial funds, possibly $400 million a year, to these figures, depending on the extent to which veterans avail themselves of this opportunity.

Concurrent with this significant increase in public responsibility for student expenses, a number of other trends have been noticeable. First, and most important, the number and the percentage of students enrolled in public institutions of higher education have increased markedly, in comparison with enrollment in private institutions of higher education. In 1959–60, for example, enrollments were 1,474,000 in private and 2,136,000 in public colleges and universities. In 1964–65, the respective numbers were 1,916,000 and 3,655,000. This trend shows no sign of reversal and leads to some major questions about national policy.

It was in this context that the College Scholarship Service decided in 1965 to hold its third colloquium on the topic, "The Economics of Higher Education." The concern of this Colloquium, and an ongoing concern of

the 860 institutions that make up the membership of the College Scholarship Service Assembly is the pattern for the financing of higher education, including the pattern of attendance. To what degree are the problems of cost and facilities solved by the increasing pattern of public attendance – especially attendance in community colleges free of the financial burdens of construction, housing facilities, and housing fees to students? Even if the growth of these institutions solves certain financial problems, what is the cost in diversity, in student choice, and in the role of the private institution?

Even if some agreement can be reached in national policy about the respective roles of private and public institutions, what patterns can be agreed upon for the cost of college attendance to students? What percentage of the total institutional cost should the student bear in public institutions as well as in private institutions? What level of cost differential between the private and public institutions will the general public support? How high can the cost for the undergraduate years, grades 13 to 16, be set in a society that heavily subsidizes all other levels of education? If more public support were to be made available to private institutions, how can their independence be preserved?

These are difficult questions that must be faced and answered as America passes into the last third of the twentieth century. And this Colloquium was planned and held in an effort to help national thinking in finding the answers to some of these questions. It is the hope of those who planned the Colloquium that the published papers will stimulate some thinking about these key questions.

I want to take this opportunity to thank James L. Bowman for his work in directing the Colloquium. At the time of the Colloquium, Mr. Bowman was director of financial aid at Johns Hopkins University. He is now associate program director of the College Scholarship Service at Educational Testing Service, Princeton, New Jersey. I also want to thank the 12 speakers who, through their papers and in discussions, contributed much to this ongoing debate. The CSS hopes that these papers will prove valuable to the groups and commissions that have been established to study the structure of higher education in this country.

GRAHAM R. TAYLOR
Associate Director
College Scholarship Service

May 1967

Introduction

Reflecting on the Colloquium at which the papers in this volume were presented, I am reminded of a passage from Lewis Carroll's great children's classic:

" 'Will you tell me which way I ought to go from here?'
'Depends on where you want to get to,' replied the Cheshire cat.
'Well, I really don't very much care,' replied Alice.
'Then, it doesn't matter much which way you go,' said the cat."

For when looking at an area as broad as "The Economics of Higher Education," one can very readily feel like Alice. However, with the assistance of a very able advisory committee, the Colloquium planners were able to ascertain where they intended to go.

As envisaged by the planners of the meeting, the Colloquium was intended to deal broadly with the question of the most effective methods of financing higher education, and with the role and problems of the educational consumer. It was hoped that the Colloquium program would provide a guide to the problems, both present and implied, in current trends of financing higher education and would raise questions regarding the future that the participants could carry back to their own institutions. The role of the speakers, then, was not to present the results of research, but to present and discuss stimulating issues and assist the financial aid officers in looking at some of the implications for the future. That the speakers succeeded in this endeavor I think there can be little doubt.

I will not try to summarize the papers that were presented at the Colloquium and that now appear in this volume. To do so would not do justice to the presentations, for what one person views as important may be entirely irrelevant to another. It may be helpful, however, to review the framework of the program in which the papers were presented.

The initial address "Broadening the Socioeconomic Base of Higher Education in an Era of Rising Costs," by the Honorable Peter H. Dominick, Senator from Colorado, and the paper by Professor Seymour Harris on the economics of higher education, provided for discussions in the relatively broad area of the economic problems of higher education.

From this broad overview there followed discussion of the ways higher education can be financed, in view of the continued rise in the cost of education and society's desire to make higher education more accessible.

Of great concern, with respect to student accessibility to higher education, is the pricing problem of higher education and its concomitant effects on institutions, student choice, and the socioeconomic mix of the student body. It is to this area that the papers presented by Allan Cartter and Fred Glimp were directed. As pointed out in the discussions that followed these papers, some source of funds other than parental income and college endowment must be used if access to higher education is to be broadened.

Given the fact that the resources of society must be used in the support of higher education if accessibility is to be broadened, what is the rationale for society's investment? Economists and sociologists have long been interested in the economic and social returns to the individual and to society that result from investment in higher education. There is

little doubt that there is some return from this kind of investment, and this reason is often advanced in support of proposals to rely upon long-term credit to the individual as the means of financing higher education. It was within this framework that Lee Hansen presented his paper. He left the thought with the Colloquium participants that, while there is a return to society and the individual, reliance on quantitative figures may be misleading, for there is much more work to be done in this area.

From the discussion of the rationale for society's investment, the participants progressed to discussions of the actual investment that is taking place within the public sector in the support of higher education and the broadening of accessibility to higher education. At the same time, alternative measures and future implications must also be of concern.

The United States government has long been a major provider of funds in support of education at all levels. Historically, the support has been directed toward the institutions in terms of grants, appropriations, tax support, and a host of other means. With the growing emphasis on accessibility to higher education for more of America's youth has come an increasing support of programs devoted to student financial aid. The interest of the federal government in educational opportunity was viewed by Peter Muirhead of the Office of Education in his discussion of federal financial aid programs. Within the area of state and local support of higher education, Selma Mushkin raised many questions for the future by projecting the need for expenditures in the decade ahead and the requirements that this expenditure will impose on the financial structure of state and local governments.

While current support of higher education by government is higher than ever before, a feeling exists that much more support is needed. An alternative solution that has been proposed, in lieu of increased direct federal support, is the provision of tax credits for educational expenditures. The pros and cons of such an approach to educational financing and its implications for the future are the target of the papers presented by Roger Freeman and Edwin Young. That the subject proved interesting to the Colloquium participants was demonstrated by the fact that the question and answer period continued long past the normal hour for adjournment.

The final phase of the Colloquium was devoted to some implications for the future in existing student financial aid programs. The growing proliferation of long-term credit for student financing of higher education has become of increasing concern to financial aid officers, and to institutions of higher education. As students continue to make substantial investments in current education from future repayments, what are the implications with respect to individual students and the institutions? In his paper relating to this area, Jack Critchfield gives financial aid officers great food for thought. Although concern has been expressed over the proliferation of loan funds, the judicious use of loans, in combination with other forms of financial assistance, is firmly entrenched in the student financial aid program. Consequently, the availability of funds for the purposes of long-term student credit is of importance. With increasing emphasis being placed on the commercial banking systems as the provider of funds for student credit, the effect of monetary policy on the ability of the banks to make loans is of great interest to financial aid officers. Many implications for the future were presented by Eliot Swan in his discussion of monetary policy and its effects on the financing of higher education.

An area of concern to institutions of higher education and to student financial aid officers is the effect on private philanthropy of the expanding role of government in the provision of student financial aid. The discussion by Robert Kreidler within the framework of support to higher education provided great insight.

While this summary has briefly sketched the framework of the Colloquium and the individual papers collected in this book, there is no way to reflect the discussions and interchanges, in both formal and informal settings, that took place among the participants in the Colloquium. That those who came were interested was evidenced by the fact that there was full attendance at all the sessions, in spite of the many diversions offered by the meeting place.

As director of the Colloquium, I would be remiss if I did not express my appreciation to the speakers for their excellent presentations, to the participants for their warmth and responsiveness, and to the staff of the College Scholarship Service for attending, in such a competent way, to the myriad of administrative details that are involved in such a meeting.

JAMES L. BOWMAN

Director of the Colloquium

April 1967

Long-term credit: Implications for colleges and universities

by JACK B. CRITCHFIELD

The great majority of the colleges and universities in the United States have learned how to use low-interest loans as a central element in financial aid programs. For most institutions this has been accomplished during the past seven years in the implementation of the National Defense Student Loan (NDSL) Program. It is fair to say that the National Defense Student Loan Program has become the workhorse of student financial aid for many institutions and, indeed, the only real form of financial aid in some institutions. Hundreds of colleges have rapidly learned how popular long-term credit can be as an effective instrument of financial aid. It has been estimated that by 1970 well over $1.5 billion will have been loaned through the National Defense Student Loan Program, providing, of course, that the program is continued by the federal government. The changes that have occurred in attitudes toward borrowing since the first NDSL Program grants were made available in the academic year 1958-59 are phenomenal. In my own institution (the University of Pittsburgh) $35,000 of NDSL Program funds was available for the second semester of that year. By the end of that semester almost $5,000 of the original $35,000 was still unawarded. In the following year, primarily because of a major steel strike in the Pittsburgh area, and each year thereafter, demands for loans from deserving students with demonstrated financial need were far greater than the university was ever able to meet until the original institutional ceiling of $250,000 was erased. Since the very modest attitude toward borrowing expressed in 1959, 4,596 students at the University of Pittsburgh have borrowed $3,978,225 of NDSL Program funds. Many institutions have had this experience and have even shown that a greater number of students were borrowing a greater amount of money.

Yet with all the many statistics indicating the success of the NDSL Program, there are many signs indicating that the real national purpose of the program, that of making it possible for youngsters who could not otherwise do so to go to college, is not being achieved. While the loans have been and are being awarded to individuals with demonstrated financial need, quite often they are being granted to make it possible for certain students to attend particular institutions rather than making it possible for all qualified students to enroll in some institution of higher education. Certainly, the lack of finances should not dictate the choice of college. But neither should limited federal loan funds be used for the purposes of the institution, when those purposes are rather remote from the national purpose of the funds.

The growing popularity of National Defense Student Loans and the increasing competition for higher quality freshman classes (at least statistically higher quality) has resulted in a rather carefree awards program in many institutions. This has led to awards under the NDSL Program to any and every admitted student who demonstrates some financial need. I suggest that this kind of practice will result in a more expensive aid program for those institutions in the future than is now realized or anticipated. The administrative costs of loan processing and the future costs of collection increase proportionately with the number of borrowers rather than with the total amount loaned.

Some institutions are reducing these future costs and making better use of their NDSL Program funds now by directing students with less need for assistance to the state guaranteed loan plans or to commercial loan plans when the loan request seems to be more for convenience than genuine financial need. I suggest that more institutions could and should do the same.

There is also disturbing evidence that the NDSL Program is making it possible for the students with the greatest need to borrow excessive amounts for college, while the wealthier individuals enjoy a better chance at scholarship aid. In recent studies made by the College Scholarship Service, there seems to be considerable evidence to indicate that long-term college loans are being used to finance the education of those students who are least able to pay. Quite often the students who must accept the larger loans are those who are minimally qualified for college admission. In other words, the very able student who has smaller financial need is receiving gift assistance to cover his total need, and the similarly qualified student with a great amount of need is receiving a packaged award, the larger part of which is in the form of a long-term loan. Students who are not exceptionally well qualified for academic success at the time of admission quite often are given loans to meet their total need whether it be great or small, rather than a packaged award of some gift assistance, a loan, and a job.

This kind cf practice may be inevitable in meeting the institutional purposes of an individual college or university student aid program. However, this sort of continued practice suggests an inherent problem in college loan programs, regardless of the source. The student who is provided with such substantial loan funds that by the time of graduation his total indebtedness amounts to thousands of dollars seems to be becoming a rather common reality. When the indebtedness for an undergraduate education approaches or exceeds the undergraduate debt limit established by the National Defense Student Loan Program, the institution's problems in loan collection are enhanced considerably; the student's decision regarding graduate or professional training often is unjustly influenced by such a debt; and his role as an alumnus of the institution and as a contributing citizen can be seriously influenced.

As costs for higher education rise, as they surely will, there may be a growing tendency for loan assistance to become a device for enabling the institution to receive its tuition rather than a device to aid the student. Each institution, especially those participating in federal student aid programs should, and it seems to me, must, establish as policy a packaging philosophy of student aid awarding that does not necessarily burden every student from the neediest category with the greatest amount of loan indebtedness. In the seven years I have been learning about college financial aid and admissions, I have heard or have read of numerous proposals that would insure more equitable distribution of the three major sources of student financial aid – grants, loans, and employment. Yet I know of few institutions that follow such a proposal throughout their awards program. I suggest that institutions of higher education must decide what they wish to do with the funds they make available for financial assistance. If multiple purposes are contemplated for student aid programs, it might be sounder and more honorable to consider separate budgets and separate published criteria for each purpose. Unless this kind of budgeting is accomplished, the implications resulting from loan programs administered without regard for the future of the individual borrower might be rather serious. My fears may be overstated since little is known about what financial aid in its varying forms does to students, to the learning process, to their independence, to their social attitudes, to their very values of life.

However, financial aid officers and other

college counselors who have attempted to reach any great number of socioeconomically and culturally deprived youngsters have learned well that loans are not by any means the answer to opening the doors to higher education. For too many of the students who should be reached in society's growing efforts to provide equal educational opportunity, the thought of borrowing recalls only past parental indebtedness that was the center of strife and disappointment within a life of poverty. I would assume that a good number of financial aid officers have seen individuals, although able to pay their college bills, so pressured by additional personal or family financial burdens during their college experience, and even more pressured as they think about their future indebtedness, that they are unable to withstand the pressures they feel and are unable to benefit from the total college experience. Too often they withdraw or are dismissed for poor academic performance, the results of financial pressures of which their institutions are not aware, or do little to relieve by overloading them with loans and employment. Too many entering freshmen with great need, but with a weak verbal score on the College Board Scholastic Aptitude Test, are awarded token (if any) grants, large loans, and unreasonable working schedules that take up hours that should be used as study hours if success is to be achieved.

Institutions may enroll and may somehow graduate young people while practicing such awarding of financial aid. But, they may be ill-prepared, poorly adjusted diploma holders who will offer little to the future status and growth of the institutions who pass them through their halls and classrooms.

Although relatively little has been done in the way of research to determine the effect of loan popularity upon alumni contributions, it appears that alumni contributions during the repayment period of any large indebtedness will be rather limited. I have been told by alumni officers in a number of institutions that annual contribution envelopes are already being returned with repayments of loans included, rather than any donation as such. If this practice becomes widespread, whether it is because of the financial incapability of many graduates to contribute to their alma mater and also meet loan repayment obligations, or whether it is because of a lack of any real concern for their alma mater, alumni giving could suffer tremendously at any number of institutions. In my own institution, where 40 percent of the full-time undergraduates are receiving loans in some form, where 22 percent of the full-time graduate students in the various divisions are receiving loans, and where 38 percent of the students in the health professions divisions of medicine and dentistry are borrowing considerably to complete their professional education, the potential for immediate alumni giving could be reduced by nearly 40 percent and could be continued at this rate for the next 10 years. Not enough time has yet passed nor has enough study been conducted to discover whether alumni giving from student borrowers will constitute a serious problem for any great number of institutions. However, it does seem probable enough to initiate more concern during the borrowing years in terms of the amount of loan assistance approved and in implementing a total institutional philosophy that will be more effective in inspiring alumni contributions that amount to more than debt repayment.

The implications of reduced alumni contributions in the future are distressing to all institutions. Yet few institutions have taken any action to reduce the chances of future graduates excusing themselves from alumni support because of long-term loan indebtedness. My own experience does not permit me to offer any bright and shining suggestions that will prevent such a loss; but student reaction on some campuses toward the "data-processing," impersonal treatment they receive as undergraduates suggests that "student-centered" institutions might have a better chance of receiv-

ing future alumni support, even from indebted graduates. In fact, alumni support has always been strong at those institutions providing financial aid (including long-term loans) with the personal touch of an interview or counseling session. I might add that the loan repayment experience of these institutions has also been traditionally sound, and years before the NDSL Program became a reality.

Another future implication of long-term credit is the possible reduction of corporate and industrial gifts to institutions. A few firms, in their efforts to recruit the best graduating students, have offered various proposals to assume the indebtedness of these students in exchange for their accepting employment and progressing toward longevity with the company.

There is no rapidly growing evidence to indicate that such arrangements will expand in any great numbers, but with the existing competitiveness among business and industry for the best of the graduating class, loan repayment offers may become a valuable job recruiting fringe benefit. Whether or not funds used for repaying loans will come from industrial salary budgets or from funds previously marked as gifts to educational institutions is the question to be answered. If these practices become widespread and corporate giving is reduced as a result, institutional fund raisers could feel the impact in the future.

Although the willingness to borrow, now present among entering freshmen, upperclassmen, and graduate students, is primarily a result of what these students or their families deem to be a need for such assistance, it appears that a great number of students borrowing today are borrowing what should be a parental contribution from family resources. I am certainly convinced that the effects of the NDSL Program and most of the other long-term loan programs available in recent years have been exceedingly good for students and institutions. Yet the relative ease of borrowing by the student or his parents has contributed to the greater number of families unwilling to make any sacrifice to assist in meeting the cost of higher education. The growing individual indebtedness of many students is a result of this, and the implications for the future could be damaging. What will the effect be on a student graduating from college with a maximum loan obligation who finds himself unable to obtain commercial credit; or this same student married to another student with similar obligations? I also wonder about the student heavily burdened with undergraduate loans who desires and deserves graduate education. Will he enter an area of high paying employment in order to repay his loan more rapidly, rather than a preferred area of higher and possibly more needed service which might not afford rapid loan repayment? Or will he throw care to the wind and have no concern for repayment? This attitude was expressed by a recent graduate, who was heard to say as he was entering the loan collection office to make arrangements for a repayment schedule, "I really can't get terribly concerned about repaying my NDSL. Obviously, with all the difficulty the colleges are having in collection, the federal government will sooner or later cancel all outstanding loans and we'll be home free." Such an expression is disturbing to say the least, but I would venture to guess that it is being thought quite often by more graduating students than is acknowledged.

By far the single greatest problem resulting from long-term borrowing and the one that seems most inevitable in the future for the great majority of institutions of higher education is collection. Collection will always be a problem. It will vary in degree of seriousness from institution to institution, but it will always be a problem. Even if it is assumed that all borrowers fully intend to repay their loans, a great number of them have never negotiated a loan before. A great number of them know, as a result of the terms of the loan and from what they are told during exit interviews, that repayment will not begin until they complete

an advanced degree, usually at another institution. A good percentage of them will not begin repayment until after they complete military service or service in the Peace Corps. According to present statistics, the families of about one-fifth of the student borrowers will move within five years, thus complicating the "where-to-mail" problem.

Since there are many institutions that have good to excellent collection records, the difficulties of the majority in collection seem to be open to improvement and correction. Obviously, many of the institutions that have collection problems have them as a result of improper planning in the initial stages of the program and a genuine lack of understanding of the magnitude of the lending and collection business. The implications for the future for all colleges and universities can be rather disastrous unless there is immediate awareness on the part of all institutions where poor collection has been the experience; and unless such awareness is followed by innovation where necessary, and assistance and cooperation from other institutions when needed. My own institution has run the gamut of loan collection problems from a completely separated operation of award responsibility in one office and loan collection in another and little if any cooperation or administrative coordination between the two – to a program that is now on the road to correcting its early mistakes and establishing a thorough collection process.

The National Defense Education Act itself, in its original form, perhaps, contributed to collection problems because of the permissiveness of the law. However, this permissiveness in itself offers little excuse for poor collection records because good collection seems to be a rather simple matter of proper identification and record keeping, meaningful exit interviews, and constant pursuit thereafter.

The hidden costs of administering any long-term loan program are considerably greater than most institutions estimated or planned. Although most colleges and universities, during the early stages of the NDSL Program, realized that administrative costs would increase with the initiation of such a large-scale loan program, few, if any, were experienced enough to realize the total increase in administrative expenses that resulted. The clerical and administrative functions necessary to an efficient and meaningful loan program, or any student aid program, cannot be performed inexpensively. In most institutions, an increase was experienced in printing costs, postage, letter and form writing, typing and filing, administrative services in processing loan applications and in making awards, well-conducted exit interviews, proper record keeping and accounting, and other miscellaneous costs associated with collection.

As the number of individual borrowers increase in all institutions and as the total debt outstanding increases in the coming years, the administrative costs will also increase and possibly more rapidly than is now projected. Banks and commercial lending institutions advise that the longer a loan is outstanding, the more the loan costs the lender.

Another problem resulting from long-term credit which colleges and universities have to face, is the inevitable overlapping of repayment schedules faced by many graduating students who have sought and have received loan assistance from a number of different sources. To the best of my knowledge, very little research has been done in this particular area. It may be that most financial aid officers fear the answers that might be found if research is conducted. In talking with other financial aid counselors, I find that overlap borrowing is a growing concern that seems now to be only at the discussion stage in the majority of institutions of higher learning.

It is quite probable that a rather large number of young people are graduating with an undergraduate degree, owing \$3,000 to \$4,000 to the National Defense Student Loan Program, a similar amount to a state higher education assistance agency, and conceivably an

additional $1,000 or $2,000 to a private bank plan or to a private tuition payment corporation. I feel rather certain that dual debts are being accrued by a great number of students living in states where state guaranteed loan plans exist. In the state of Pennsylvania, the first guaranteed loan was made in June of 1964. On the first of February 1965, 4,740 applications were filed and loans of more than $3 million were guaranteed by the Pennsylvania Higher Education Assistance Agency (PHEAA). One month ago, less than two years after its inception, the PHEAA has granted 15,139 loans totaling $12,170,000. Eighty percent of these borrowers are attending colleges in the Commonwealth of Pennsylvania, and a sampling of the group indicates that well over 50 percent of them are receiving assistance through the National Defense Student Loan Program concurrently with their state loans. This is largely true because the 14 state colleges have fewer funds under the NDSL Program than they need because their one-tenth contribution must come from alumni or private gifts specifically designated for that purpose. However, there are a good number of students borrowing through the NDSL Program at the private colleges and universities whose need exceeds the maximum of $1,000, or whose parents are refusing to contribute what normally would be expected of them. The obvious conclusion in these cases is that both loans are meeting a national purpose, a state purpose, or both – that of making it possible for students who cannot otherwise do so to attend institutions of higher education. The not-so-obvious question regarding the future is how two or more loan repayment schedules of varying periods of time and varying interest requirements are to be met by the great numbers of students who seem to be acquiring such obligations with too little concern on their part, or on the part of higher education.

The lack of coordinated counseling efforts likely to result from the federal guaranteed loans, when needy students are seeking financial advice from commercial loan officers, will increase the number of overlap borrowers and complicate the institutions' collection problems and the students' repayment problems even more.

The seven years I have been working in college admissions and student financial aid parallel the rather new life of the National Defense Student Loan Program. It is difficult for me to realize that seven years ago the great majority of institutions of higher education in the United States had never processed a loan for a student and that probably less than 100 colleges and universities had any existing loan programs at all. During the past seven years, I have been a strong advocator of long-term loans, and I still am. However, I do not believe that higher education has done its best in implementing the existing long-term credit programs in the best interests of the individuals institutions seek to educate. If loans are not being administered in the best interest of the students, they are not in the best interest of the institutions.

Where long-term credit is effectively administered as an integral part of "packaged" awards; where long-term credit has been properly identified as future income for present expenses, and adequate budgeting for administering related costs has occurred; where measures have been taken to assure efficient collection procedures; and where the stated purpose of long-term credit has not conflicted with its implementation, the future of long-term credit for colleges and universities seems encouragingly wholesome.

In colleges and universities where these conditions are not present in the implementation of long-term credit as a means of financial aid, the future problems might include growing administrative costs, poor repayment experience, unsuccessful and unproductive graduates, a growing loss of alumni support, and a unified institutional wish that long-term credit for college had never gained the momentum it did during the past seven years.